

Service Date: October 26, 1994

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER OF MONTANA-DAKOTA	)	UTILITY DIVISION
UTILITIES COMPANY, Application for	)	
Approval of Settlement of Pending	)	DOCKET NO. 94.9.39
Gas Dockets and an Out-of-Cycle	)	
Unreflected Gas Cost Adjustment.	)	ORDER NO. 5808

ORDER APPROVING STIPULATION AND SETTLEMENT

1. On September 20, 1994, Montana-Dakota Utilities Company (MDU), on behalf of itself and participating intervenors, filed before the Public Service Commission (PSC) an application for approval of a stipulation and settlement of consolidated pending natural gas dockets and an out-of-cycle unreflected gas cost adjustment pertaining to distribution of a refund (received by MDU) through rate reduction.

2. The parties to the stipulation and settlement include MDU, the Montana Consumer Counsel, and the Montana Department of Natural Resources. The dockets consolidated for stipulation and settlement purposes include PSC Dockets No. 93.4.19 (which also includes consolidated dockets) 94.4.17, 94.5.21, 94.9.39, and the out-of-cycle unreflected gas cost adjustment.

3. The stipulation and settlement proposes a decrease to rates for natural gas service to MDU's Montana gas customers -- approximately \$.21 dk residential and general, \$.22 dk small interruptible, and \$1.24 dk large interruptible -- effective from November 1, 1994 through March 1, 1996 (two heating seasons), subject only to adjustments for changes to MDU gas costs (biannual gas cost tracking adjustment procedure) and assessment of the PSC tax.

4. On September 28, 1994 the PSC noticed the stipulation and settlement to the public, advising of an opportunity to submit a petition to intervene and request for hearing no later than October 13, 1994, and noting that written comments could also be submitted to the PSC and that petitions to intervene or written comments not accompanied by a request for hearing would not result in a hearing. No request for intervention or request for hearing was received.

5. Three interested persons made written comments. They objected to the distribution of the refund received by MDU through rate reduction, stating a preference for a cash refund instead. Under the overall and particular circumstances involved in the consolidated cases, the PSC concludes that a cash distri-

bution of the refund received by MDU would not be in the public interest. Reasons for this include the following:

a. In the general period to which the refund relates MDU has also been assessed significant surcharges, primarily as a result of take or pay requirements. Disposition of these surcharges has been administered through rates, not through direct assessment to ratepayers. Under these circumstances, distribution of the refund through rates achieves a balance not obtainable through a cash refund.

b. Whether the approximate \$10 million refund received by MDU would be distributed through cash refund or rates, it first would be offset by an approximate \$6 million positive balance that has accrued in MDU's deferred account.

c. The increased administrative expenses involved with a cash refund, when compared to a refund through rates, would further reduce the amount of the refund to ratepayers.

d. Administering the refund received by MDU, through rates as opposed to cash refund, enables the ratepayers to obtain the benefit of interest amounting to approximately \$410,000 for the effective period.

e. If the refund were not administered through rates, rates would not decrease and, in every possibility, may tend to

increase through the effective period as the consolidated pending cases are decided individually. The rate stability gained is a factor in the PSC's consideration of approving the distribution of the refund through rates.

6. The terms of the stipulation and settlement are a conclusion, predominantly not specific to any pending issue in any of the consolidated dockets. The PSC has thoroughly evaluated the stipulation and settlement, including in comparison to the issues in the consolidated dockets, and approves of this concept with the following qualifications:

a. This Order is an approval of the general conclusion disposing of all issues and should not be viewed as a ruling on any specific issue, or an approval or denial of related arguments, in any of the consolidated dockets.

b. The stipulation and settlement provisions specifically pertaining to PSC review of the gas cost tracking adjustment procedure by generic proceeding and integrated resource planning for gas distribution utilities by collaborative process will be viewed as recommendations by the parties only.

c. The stipulation and settlement provision pertaining to MDU's entitlement to use Financial Accounting Standard 106 in its Montana rate cases, shall apply to MDU's gas utility only.

d. The approval of the stipulation and settlement will not be viewed as precluding MDU's filing of a marginal cost of service study prior to MDU's expected date for its next general rate case, whether such filing is on MDU's own motion or at the request of the PSC.

7. The PSC's authority and jurisdiction over this matter is provided by Title 69, MCA. The PSC, being fully apprised of all premises, HEREBY ORDERS that MDU's application be GRANTED. Further written orders, as may be necessary, will follow.

8. MDU will file the appropriate tariffs to timely implement this Order on the proposed effective date of the stipulation and settlement (November 1, 1994).

Done and dated this 20th day of October, 1994, by a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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BOB ANDERSON, Chairman

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BOB ROWE, Vice Chairman

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DAVE FISHER, Commissioner

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NANCY MCCAFFREE, Commissioner

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DANNY OBERG, Commissioner

ATTEST:

Kathlene M. Anderson  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.